

**Eau Claire District Library  
Berrien County, Michigan**

**Financial Report**

**July 31, 2007**

RENDEL ELIE  
———&———  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name <b>Eau Claire District Library</b>		County <b>Berrien</b>	
Fiscal Year End <b>7/31/07</b>		Opinion Date <b>12/10/07</b>		Date Audit Report Submitted to State <b>12/15/07</b>			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed		Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>			
Other (Describe)		<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>Rendel Elie &amp; Associates PLC, CPA's</b>				Telephone Number <b>269-983-1069</b>	
Street Address <b>1010 Main Street</b>				City <b>Saint Joseph</b>	State <b>MI</b>
				Zip <b>49085</b>	
Authorizing CPA Signature <i>Lynda Elie, CPA</i>		Printed Name <b>Lynda Elie, CPA</b>		License Number <b>1101019600</b>	

## **Eau Claire District Library**

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RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Library Board  
Eau Claire District Library  
Eau Claire, Michigan

We have audited the accompanying basic financial statements of the Eau Claire District Library as of July 31, 2007 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Eau Claire District Library as of July 31, 2007 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Eau Claire District Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Eau Claire District Library. We did not examine this data and, accordingly, do not express an opinion thereon.

*Rendel Elie & Associates*  
RENDEL ELIE & ASSOCIATES, PLC

December 10, 2007

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2007**

**Using this Annual Report**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2007**

**Condensed Financial Information**

The table below compares key financial information in a condensed format between the current year and the prior year:

	<u>2007</u>	<u>2006</u>
Current assets	\$ 90,050	\$ 151,635
Capital assets	<u>502,654</u>	<u>505,828</u>
Total assets	<u>592,704</u>	<u>657,463</u>
Long-term debt	21,017	101,598
Other liabilities	<u>13,064</u>	<u>14,066</u>
Total liabilities	34,081	115,664
Net assets:		
Invested in capital assets, net of related debt	481,637	404,230
Unrestricted	<u>76,986</u>	<u>137,569</u>
Total net assets	<u>\$ 558,623</u>	<u>\$ 541,799</u>
Revenue:		
Property taxes	\$ 130,040	\$ 122,697
Other	<u>91,276</u>	<u>89,134</u>
Total revenue	221,316	211,831
Expenses – library services	<u>204,492</u>	<u>192,699</u>
Changes in net assets	<u>\$ 16,824</u>	<u>\$ 19,132</u>

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2007**

**The Library as a Whole**

- The Library's net assets increased by \$16,824 this year and \$19,132 the prior year.
- The Library's primary source of revenue is from property taxes, which represents 59% of total revenue as compared to 58% the prior year.
- Salaries and fringe benefits continue to be a significant expense of the Library, representing 55% of the Library's total expenses this year and 54% the prior year.

**The Library's Fund**

Our analysis of the Library's major fund, the General Fund, is included on page 6 and 7 in the first column of the statement.

The fund balance of the General Fund decreased during the current year by \$58,789 compared to an increase of \$16,668 the prior year.

Debt service, consisting of principal and interest, was a large use of resources during the current fiscal year. Debt service has become a significant expenditure as a result of the 2002 building addition, which was financed by a \$200,000 bank note. During the current fiscal year, the principal was reduced by \$80,580 as compared to a reduction of \$17,786 the prior year.

**Capital Assets and Debt Administration**

At the end of the fiscal year, the Library had \$886,647 invested in land, building, furniture and equipment, and books and materials. The library added \$34,959 in capital assets consisting of \$20,128 of furniture and equipment, and \$14,831 in new collection items including new books and audio/visual materials.

No new debt was issued during the fiscal year. The Library's indebtedness for the building addition was \$21,017 and \$101,598 on July 31, 2007 and 2006, respectively.

**Eau Claire District Library  
Management's Discussion and Analysis  
July 31, 2007**

**Library Budgetary Highlights**

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments were made to revenue accounts.

The increase in the budgeted amounts for property taxes and penal fines was due to a change in amount received compared to amounts originally estimated.

Budget variances included contributions and donations received during the year and capital outlay and debt service expenditures.

**Grant Receipt**

The Bill and Melinda Gates Foundation has committed \$17 million in Staying Connected challenge grants to support hardware upgrades, broadband connectivity, technical support, and technology training programs to U.S. Libraries.

In January 2004, the foundation announced the first round of Staying Connected grants to 18 states, totaling more than \$5.8 million. The final round, announced in January 2005, was made to 37 states and the District of Columbia for \$10.9 million. Eau Claire District Library was one of 221 Michigan grant recipients.

The Library received the 5 computers they were granted by the Gates Foundation from the Southwest Michigan Library Cooperative. The computers were valued at \$4,833.

**Next Year's Grant Receipt**

In November 2007, the Library of Michigan approved the Library's PAC HUG Round Two application for funding provided by the Bill & Melinda Gates Foundation. The grant was approved for \$1,385.

**Contacting the Library's Management**

This financial report is intended to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Eau Claire District Library.



**Eau Claire District Library**  
**Governmental Fund Balance Sheet / Statement of Net Assets**  
**July 31, 2007**

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash	\$ 87,193	\$ -	\$ 87,193
Municipality receivable	-	-	-
Note receivable	400	-	400
Prepaid expenses	2,457	-	2,457
Fixed assets, net	-	502,654	502,654
Total assets	<u>\$ 90,050</u>	<u>\$ 502,654</u>	<u>\$ 592,704</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 1,725	\$ -	\$ 1,725
Salaries & benefits payable	5,765	-	5,765
Compensated absences:			
Expected to be paid within one year	-	3,251	3,251
Expected to be paid after one year	-	2,323	2,323
Long-term debt:			
Due within one year	-	18,010	18,010
Due after one year	-	3,007	3,007
Total liabilities	<u>7,490</u>	<u>26,591</u>	<u>34,081</u>
<b>Fund Balance/Net Assets</b>			
Fund balance - unrestricted	82,560	(82,560)	-
Total liabilities and fund balance	<u>\$ 90,050</u>		
Net assets:			
Invested in capital assets, net of related debt		481,637	481,637
Unrestricted		76,986	76,986
Total net assets		<u>\$ 558,623</u>	<u>\$ 558,623</u>

**Eau Claire District Library**  
**Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /**  
**Statement of Activities**  
**Year Ended July 31, 2007**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
<b>Revenues:</b>			
Property taxes	\$ 130,040	\$ -	\$ 130,040
Penal fines	73,659	-	73,659
State aid	2,995	-	2,995
Fees and book fines	2,399	-	2,399
Interest and dividends	2,329	-	2,329
Contributions and donations	9,894	-	9,894
Total revenue	221,316	-	221,316
<b>Expenditures:</b>			
Salaries and fringe benefits	110,957	1,794	112,751
Capital outlay	20,128	(20,128)	-
Library books and materials	14,832	(14,832)	-
Repairs and maintenance	8,447	-	8,447
Utilities	11,996	-	11,996
Professional services and dues	5,830	-	5,830
Office supplies	5,858	-	5,858
Library supplies	8,055	-	8,055
Insurance and bonds	6,413	-	6,413
Newspaper and publications	1,890	-	1,890
Conventions and workshops	907	-	907
Miscellaneous	1,108	-	1,108
Depreciation	-	38,133	38,133
Debt service:			
Principal	80,580	(80,580)	-
Interest	3,104	-	3,104
Total expenditures	280,105	(75,613)	204,492
<b>Excess of Revenue over Expenditures /</b>			
<b>Change in Net Assets</b>	(58,789)	75,613	16,824
<b>Fund Balance/Net Assets - beginning of year</b>	141,349	400,450	541,799
<b>Fund Balance/Net Assets - end of year</b>	\$ 82,560	\$ 476,063	\$ 558,623

See auditors' report and notes to financial statements.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Summary of Significant Accounting Policies**

The accounting policies of the Eau Claire District Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

**Reporting Entity**

Eau Claire District Library is a Class III public library. The Library serves a population of 7,549 patrons from the Village of Eau Claire, and the Townships of Berrien and Pipestone.

The Library is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in four parts – invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, penal fines, and fees associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the Library receives cash.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

**Financial Statement Amounts**

**Bank Deposits and Investments** – The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – Property taxes are levied on December 1<sup>st</sup> based on the taxable valuation of the property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The Library receives an advance from the Berrien County Revolving Fund for delinquent property taxes. The County collects the delinquent property taxes on behalf of the Library.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Capital Assets** – Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

**Compensated Absences (Vacation and Sick Leave)** – It is the library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation and sick leave accrues to full-time, permanent employees to specified maximums.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to changes.

**Risk Management** - The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee health, property, liability and workers' compensation.

**Property Taxes** – On August 6, 1996, the electors of the library district, the Eau Claire District Library serves, approved a millage on the taxable property in the district for a period of twenty years. Berrien and Pipestone Townships collect and pay the tax revenues to the Library as collected.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Summary of Significant Accounting Policies (continued)**

**Budget Information**

The annual budget is prepared by the Library Director and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances – budget and actual – general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Library Board, is presented in these financial statements.

During the year, the Library incurred expenditures that were in excess of budget by more than \$5,000 in the following categories:

	<u>Budget</u>	<u>Actual</u>
Capital outlay	\$ 2,378	\$ 20,128
Debt service: principal	18,700	80,580

**Cash and Investments**

State statutes authorize the Library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investments vehicles legal for direct investment by local units of government in Michigan. The Library is in accordance with statutory authority. The Library has designated a local bank for the deposit of its funds. Its cash and cash equivalents consist of various interest bearing savings accounts, checking accounts and certificates of deposit.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Fixed Assets**

A summary of changes in general fixed assets:

	Beginning of year <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	End of year <u>Balance</u>
Buildings	\$ 505,783	\$ --	\$ --	\$ 505,783
Improvements	51,747	3,369	--	55,116
Furniture & equipment	245,532	16,759	11,717	250,574
Book collection	<u>78,800</u>	<u>14,831</u>	<u>18,457</u>	<u>75,174</u>
Total	881,862	34,959	30,174	886,647
Accumulated depreciation	<u>(376,034)</u>	<u>(38,133)</u>	<u>30,174</u>	<u>(383,993)</u>
Net book value	<u>\$ 505,828</u>	<u>\$ (3,174)</u>	<u>\$ --</u>	<u>\$ 502,654</u>

**Book Collection**

The circulating library book collection and materials is capitalized. Accessions are accounted for in the year acquired. The Library follows a policy of periodically removing books that are in poor condition, not in demand, and/or no longer current. The estimated replacement value of the circulating collection at July 31<sup>st</sup> was \$399,231 and \$375,500 for 2007 and 2006, respectively.

**Long-term Debt**

**Debt service requirements** - On August 6, 2002 the Library entered into an agreement to finance the construction of the building addition. The terms are payable in monthly installments over a 15 year period, at 4.69% for the initial five years. The interest rate will be recalculated at five-year intervals to equal the current five-year US Treasury bill rate, plus 40 basis points. The following is a summary of changes in long-term debt for the fiscal year ended July 31, 2007:

	Balance <u>Beginning of Year</u>	Principal <u>Payments</u>	Balance <u>End of Year</u>
Note	\$ 101,597	\$ 80,580	\$ 21,017



**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Long-term Debt (continued)**

The annual principal and interest requirements through maturity are as follows:

Year Ending July 31

2008	\$ 18,864
2009	<u>4,584</u>
Total minimum payments	23,448
Less amount representing interest	<u>(2,431)</u>
Net minimum payments	<u>\$ 21,017</u>

**Interest** – Interest expense of the Library for the years ended July 31<sup>st</sup> approximated \$3,104 and \$4,529 for 2007 and 2006, respectively.

**Contingent Liabilities**

**Tax revenue** - The Library has received advances from the Berrien County Tax Revolving Fund for delinquent taxes assessed on real property. If those taxes prove to be uncollectible, the Library will be responsible for repayment. Taxes advanced by the county, during the fiscal years ending July 31<sup>st</sup> were \$8,024 and \$8,360 for 2007 and 2006, respectively.

**Unemployment taxes** - The Library has elected to reimburse the Michigan Employment Security Agency for any unemployment benefits paid to former employees.

**Grant Revenue**

In January 2005, the Bill and Melinda Gates Foundation announced the final round of Staying Connected challenge grants to support hardware upgrades, broadband connectivity, technical support, and technology training programs to U.S. Libraries. Grants were made to 37 states and the District of Columbia for \$10.9 million. Eau Claire District Library was one of the Michigan grant recipients.

The Library received the 5 computers they were granted by the Gates Foundation from the Southwest Michigan Library Cooperative. The computers were valued at \$4,833.

In November 2007, the Library of Michigan approved the Library's PAC HUG Round Two application for funding provided the Bill & Melinda Gates Foundation. The grant was approved for \$1,385.

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Reconciliation of Fund Financial Statements to Government-wide Financial Statements**

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance – Modified Accrual Basis</b>	<b>\$ 82,560</b>
Differences in the statement of net assets:	
Capital assets are not financial resources, and are not reported in the funds	502,654
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(21,017)
Compensated absences are included as a liability	<u>(5,574)</u>
<b>Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 558,623</u></b>

**Eau Claire District Library  
Notes to Financial Statements  
July 31, 2007**

**Reconciliation of Fund Financial Statements to Government-wide Financial  
Statements (Continued)**

**Net Change in Fund Balances – Modified Accrual Basis** **\$ (58,789)**

Differences in the statement of net assets:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	14,832
Capital outlay	20,128
Depreciation	(38,133)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	(1,794)
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Repayments of principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>80,580</u>
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**Change in Net Assets of General Fund – Full Accrual Basis** **\$ 16,824**

**Eau Claire District Library**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended July 31, 2007**

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Over (Under)
<b>Revenues:</b>				
Property taxes	\$ 114,000	\$ 135,025	\$ 130,040	\$ (4,985)
Penal fines	70,000	73,650	73,659	9
State grants	2,500	2,500	2,995	495
Fees and book fines	1,800	1,800	2,399	599
Interest and dividends	750	2,200	2,329	129
Contributions and donations	2,000	2,850	9,894	7,044
Total revenue	191,050	218,025	221,316	3,291
<b>Expenditures:</b>				
Salaries and fringe benefits	108,572	108,572	110,957	2,385
Capital outlay	878	2,378	20,128	17,750
Library books and materials	17,500	17,350	14,832	(2,518)
Repairs and maintenance	9,200	8,750	8,447	(303)
Utilities	13,000	12,550	11,996	(554)
Professional services and dues	5,500	5,500	5,830	330
Office supplies	3,500	3,500	5,858	2,358
Library supplies	4,700	4,250	8,055	3,805
Insurance and bonds	6,500	6,500	6,413	(87)
Newspaper and publications	2,000	2,000	1,890	(110)
Conventions & workshops	1,000	1,000	907	(93)
Miscellaneous	-	-	1,108	
Debt service:				
Principal	18,700	18,700	80,580	61,880
Interest	-	-	3,104	3,104
Total expenditures	191,050	191,050	280,105	89,055
<b>Excess of Revenue over Expenditures / Change in Net Assets</b>	-	26,975	(58,789)	(85,764)
<b>Fund Balance/Net Assets - beginning of year</b>	141,349	141,349	141,349	-
<b>Fund Balance/Net Assets - end of year</b>	<u>\$ 141,349</u>	<u>\$ 168,324</u>	<u>\$ 82,560</u>	<u>\$ (85,764)</u>

RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire District Library  
P.O. Box 328  
Eau Claire, MI 49111

In connection with the audit of the financial statements of the Eau Claire District Library (the Library) for the fiscal year ended July 31, 2007, we are providing the following comments and recommendations for your consideration.

Continuing recommendations:

Budget amendments – The budget process includes a great deal of estimating and it is not unusual for significant variances to develop throughout the year. We recommend that the board continue to monitor actual financial results to the original budget and amend the budget as needed on a line item basis, as it is adopted. Incurring expenditures in excess of the amount appropriated for in the budget on a line item basis is non-compliant with Public Act 2 of 1968. The budget was not amended this year to reflect the additional mortgage payment or the computers received through the Gates grant.

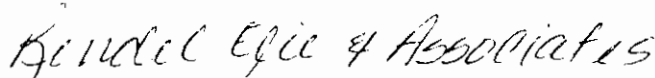
Accounts Payable – The accounts payable feature of your QuickBooks could be utilized for vendor invoices. All bills and invoices received and entered as unpaid invoices are then included in the financial statements. By utilizing this feature, the balance sheet report correctly reports all liabilities of the Library, not just what is owed on credit cards. This feature also generates an accounts payable report that could be used for bill approval at board meetings, prior to bill payment. This report could be included in your minutes for detailed documentation on bill approval. This would also assist you in recognizing when budget amendments need to be made. We are available to provide your staff training on this feature.

Additional comment:

Capital assets – The Library adopted a policy for capitalizing assets. Donated assets, including the computers, should also be recorded and budgeted for.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

Sincerely,



RENDEL ELIE & ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

December 10, 2007

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